# BOOK REVIEWS.

*Money and Banking illustrated by American History.* By HORACE WHITE. Boston and London: Ginn & Co., 1895. 8vo. pp. 488.

MR. HORACE WHITE'S *Money and Banking* is, as the full title indicates, rather historical than scientific. It is the author's thought—and no doubt he is correct—that about all that is baneful in the way of monetary and banking schemes has been tried in America, and that, therefore, a survey of our own history will yield many guiding principles for the present and future. Accordingly, he traces, in a very entertaining but scholarly way, the evolution of currency and banking from the earliest years of Virginia and Massachusetts down to 1895. The general conclusion of the whole matter is this. Our fathers started with the crudest sorts of commodity money, wampum, furs, tobacco, and the like, and only by slow and painful experience have we come to silver and finally to gold. In all this we are going parallel with the rest of the world. Gold is the only fit material for a money standard; and the discussions of these latest years are making its fitness more and more evident. Upon the basis of gold then, the most highly civilized nations must conduct their commerce. But various systems of representative money are permissible, if only they are wisely and honestly constituted. Here too our beginning was crude. The various land banks and free banking schemes of the earlier centuries and the first half of this century show us clearly what must be avoided, and, therefore, in a negative way, what must be sought.

The book will naturally meet with some adverse criticism from those whose opinions Mr. White contravenes on debatable historical topics. It is even demonstrably inaccurate on some minor points. But in general the more strictly historical portions deserve very high commendation. They have been prepared after much careful study, and are written in good readable English. It is quite out of the question to specify all the good points of the work. Particularly to be commended is the account of the various banking systems which prevailed in the different states before the Civil War: for this subject there is no other authority equally accessible and reliable. Some fifty pages of

good narrative are given to the two United States Banks, and to Jackson's contest with the second. The late date to which the discussions are brought down also contributes much to the value of the book. The explanations of the present working of bank credits and the clearing-house system are about the most intelligible anywhere to be found; and the account of the Gold Room is as interesting a chapter as will be met in the literature of economics. Then there are several events or questions which are incidentally and more briefly treated, as the legal-tender cases and the adherence of California to specie payments during the Rebellion.

Although the book is formally historical, it is still of a very lively interest as bearing upon the present monetary situation. Mr. White himself brings this out, and draws many lessons for the present from experience of the past. And, of course, when he comes thus into the politics of today, his conclusions will be more likely to be questioned. His contention that there is gold enough to do the business of the world because the business of the world is being done with gold, will have no force with those who believe that many of the industrial misfortunes of the time are due to the universal adoption of the gold standard. His other argument that we might have kept up specie payments throughout the Civil War is probably correct in its conclusion; but his chief supporting principle is certainly unsound. It is not true that "Every country pays the cost of a war at the time of the war." If no foreign debt of any kind be incurred, this is true. But in so far as a foreign debt is incurred during the war, in just so far do foreign laborers and capitalists temporarily assume part of the burden of the war; they send in supplies of various sorts, and accept in return such documents as entitle them at a later date to claim an equivalent.

The weakest chapter of all is the one in which the quantity theory of money is attacked. It is to be regretted that Mr. White inserted this chapter; for it is not at all required by his general scheme, and it is a conspicuous blemish in his work. The question as to the relation of the circulating cash to the range of general prices is, evidently, vital to a controversial discussion of the present monetary situation; but from an historical work it might with perfect propriety be omitted. There are several errors in Mr. White's discussion here, but the cardinal one is his failure to understand the theory he is attacking. The central proposition of the quantity theory is this. All else being unchanged, an inflation of the currency will raise general prices. Or

if you like, an increase of the circulating medium of exchange tends to raise general prices. All the arguments from the recent rapid increase of our circulation are inconclusive against such a proposition; for the statistics of production, consumption, and, best of all, exchange, prove that all else has not remained the same, that the demand for a medium of exchange has grown more rapidly than has the amount of the currency. The other arguments, from the vast amounts of credit currency, are equally invalid, and for three reasons. They vastly overrate the relative amount of the credit currency; for while they assume that it is about nine times as great as the cash, it in reality is about equal in amount. They assume that a continuous refinement of banking methods is permitting a greater and greater structure of credit to be built upon a given amount of cash; whereas statistical comparison shows that there has been no appreciable gain of this sort in Anglo-Saxon lands for about a quarter of a century. They make the most serious error of all in regarding bank credits as an independent medium of exchange; whereas the amount of cash in the country is one of the two important determinants of the amount or range of credit. In other words the range of bank credits, or the amount of the credit currency, is a function of two variables. It depends not only upon the condition of the commercial world as regards confidence and enterprise, but also upon the cash reserves of the banks, and these in turn, *cæteris paribus*, depend upon the total active circulation. A careful elaboration and organization of these facts and principles will result in a quantity theory which is not yet seriously affected by any adverse criticism, and which is essentially the old classical theory of Locke, Hume, Smith, Ricardo, and all the rest. It does not mean that an increase in the currency will tend to raise general prices in exactly the same degree; but it does assert most emphatically that an addition to the currency will tend to raise general prices in some degree.

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*A History of Money and Prices, being an Inquiry into their Relations from the Thirteenth Century to the Present Time.* By J. SCHOENHOF. New York: G. P. Putnam's Sons, 1896. 12mo. pp. 352.

MR. SCHOENHOF'S book is, as the sub-title indicates, an historical criticism of the quantity theory of the value of money. It includes